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SUBJECT: UNIDO DG Yumkella: UNIDO and U.S. Share Common Vision

¶1. SUMMARY. The U.S. and UN Industrial Development Organization (UNIDO) share common philosophies and visions when it comes to "greening" industry, improving the developing world's trade capacity and access to markets, and environmental sustainability, according to Director General Yumkella. In a September 17 introductory meeting with Ambassador Davies, Yumkella sought to link his own vision for UNIDO with the lessons he learned as a result of U.S. withdrawal in 1996, and to reassure the U.S. that UNIDO was a leaner and more effective organization. In addition to underscoring UNIDO's complementarity with U.S. economic and energy priorities, Yumkella noted the dominant role European member states play with regard to the Organization's policy and program initiatives. Yumkella once again expressed his desire to see the U.S. at the December General Conference (GC) and also offered to provide UNVIE with briefing sessions on UNIDO's program pillars. Ambassador Davies, indicating that the U.S. was interested in learning more about UNIDO, welcomed the offer for briefings and confirmed Washington was considering Yumkella's GC invitation. UNVIE continues to recommend the U.S. attend the GC as a formal observer, with UNVIE working-level officers representing the U.S. END SUMMARY.

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DG's Vision for UNIDO Shaped  
by U.S. Withdrawal  
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¶2. On September 17, Ambassador Davies met with Director General Kandeh Yumkella in the DG's office. This was the first time since the U.S. withdrew from UNIDO in 1996 that an UNVIE ambassador has met the UNIDO DG in a formal capacity.

¶3. Yumkella greeted Ambassador Davies enthusiastically, stating that "it has been my mission for the past three years to get the United States to say, 'we are curious about what UNIDO is doing, and want to know more.'"

¶4. Yumkella provided Ambassador Davies with a background snapshot of UNIDO since 1996, through the lens of his personal experience with the organization. He emphasized that his vision for UNIDO was directly influenced by the lessons he learned after U.S. withdrawal. Arriving at UNIDO just as the U.S. and other major powers were leaving due to UNIDO's bloated mandate and ineffective assistance programs, Yumkella watched as the remaining member states took UNIDO "into receivership" and forced the organization to cut staff and projects, reviewing UNIDO's mandate and budget "line by line." While in Nigeria from 2000-2003 as UNIDO Regional Director, Yumkella stated he spent much of his time contemplating whether UNIDO was actually relevant and worth saving. It was in Nigeria - a country

which serves, he says, as "a microcosm of the challenge of possessing wealth but no management ability" - that Yumkella began to identify the three areas in which UNIDO could play a significant role. He pointed to Nigeria's urban water pollution, its lack of private sector development, and its need for increased private enterprise access to international markets through adherence to international quality standards, as fairly universal challenges throughout the developing world. Yumkella described how he then transformed these identified needs into a broader framework for UNIDO. This framework now comprises UNIDO's three current pillars: Environment and Energy, Trade Capacity Building, and Poverty Reduction through Productive Activities.

15. Yumkella shifted gears and assessed UNIDO's current management situation, emphasizing the results of its reforms and his own accomplishments over the past four years. Since 1993, Yumkella explained, UNIDO's staff has been reduced from 1400 to less than 700, while increasing its operations on the ground. Further, as one of the four major implementers of the Montreal Protocol, UNIDO is also ranked the best in terms of assistance implementation.

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DG: EU Dominates UNIDO  
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16. Much of UNIDO's work, Yumkella said, is driven by European Union (EU) initiatives (EU countries provide a significant portion of UNIDO's resources). Yumkella predicted that cooperation with the EU could double in the next four years, and will be focused on the current European priorities of eco-efficiency (for example, optimizing industrial water use or cutting industrial emissions) and

UNVIE VIEN 00000440 002 OF 003

greater adherence to international product quality standards (whether government or wholesaler imposed). Yumkella also reported that European countries are increasingly interested in using UNIDO as a vehicle to improve developing nations' "traceability" standards - the ability to trace a product's inputs back to original sources. For example, with Swiss, Italian and Nordic countries' assistance, UNIDO has started a pilot program in Asia to improve the ability of that region's exporters to meet international product quality standards - and thus acquire increased access to the EU market.

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DG: UNIDO's Future Aligns  
with U.S. Priorities  
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17. Turning to the next four years, Yumkella noted his role in UN energy and climate change initiatives (such as chairing UN Energy) and highlighted his desire to see more work in the area of poverty reduction. What UNIDO needs, Yumkella asserted, is "patient capital." For example, developing countries need to improve supply chains in agribusiness (where Yumkella asserts that as much as 20 percent additional wealth could be created via modern systems), as well as small and medium sized enterprise expansion. In order to do this, Yumkella opined, UNIDO needs partners like the U.S. who share such visions.

18. Yumkella reiterated his belief that all three UNIDO pillars are interrelated. He pointed to past and current UNIDO efforts to "green" industrial practices, and noted that like the recent U.S. economic stimulus plan, and its "80 billion dollars for green jobs" UNIDO was finding ways to simultaneously protect the environment and widen the job market. Yumkella also hailed the Millennium Challenge Corporation (MCC) as a great example of how, consistent with UNIDO's approach, integrated interventions done right can tangibly reduce poverty. Like UNIDO's poverty reduction pillar, Yumkella said MCC is "really a wealth creation program," and serves as just one more example of where U.S. and UNIDO philosophies converge. Finally, Yumkella pointed to Africa, which, he says, will have a population of 1.4 billion by 2030 - half of whom will be located in urban areas. Without jobs, a healthy urban environment and access to sustainable economic growth, Yumkella warned of a rise in regional instability. UNIDO, he concluded, can be an important partner for the U.S. in ensuring political and social stability by providing for

sustainable economic development.

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DG Extends Invite to General Conference,  
Offer to Host Informational Briefings  
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¶9. Yumkella presented Ambassador Davies with two invitations. First, he reiterated his desire to see the U.S. attend the December GC as a formal observer. Second, he proposed that his staff provide UNVIE with one hour sessions on each of UNIDO's three program pillars. Yumkella invited Ambassador Davies to attend these meetings, and for UNVIE to ask hard questions and "put our feet to the fire." Ambassador Davies thanked Yumkella for the chance to meet further, and promised to relay the GC invitation back to Washington.

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COMMENT  
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¶10. By emphasizing the management and program successes of UNIDO, and by showing how his own thinking on UNIDO's proper role was directly and positively affected by the U.S.'s withdrawal in 1996, Yumkella sought to characterize UNIDO as a force for private enterprise growth, energy sustainability, and long term social and political stability - all of which he believes are in line with U.S. priorities. And by repeatedly highlighting how European countries are using UNIDO to improve developing world access to the European economic market, Yumkella pressed the point that the U.S., too, could benefit from greater involvement in UNIDO activities.

¶11. We have been careful to temper UNIDO hopes for any near term shift in U.S. policy on membership. Nevertheless, UNVIE reiterates its recommendation that the U.S. should participate at the December GC at the working level. We will report on UNIDO's program pillar presentations, and expect these will provide the U.S. with a chance

UNVIE VIEN 00000440 003 OF 003

to deepen our knowledge of the organization's track record and potential. END COMMENT

DAVIES